



The War on Terror Australia Prepares

MARKET REPORT - SEPTEMBER 2005

AUSTRALIA

DEALING WITH THE THREAT OF TERRORISM

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"In Australia, why would they want to guard the harbors and the railways? This be a curse from God that they be afraid of their own shadow. Just imagine - people are scared of their own shadow. It's the victory for the terrorists." - Bali bombing mastermind Ali Gufon (Mukhlis), Kerabokan Prison, Indonesia.

Summary

Australia is high on the terrorists' hit list. The population is being told *not if*, but *when* ...

It has endured loss of its life when Australians died as a result of bomb detonations in Bali, and damage to its infrastructure when vehicle-delivered explosives shattered its embassy in Jakarta. Whether through its involvement in helping bring democracy to East Timor, or its willingness to join with U.S. and coalition operations in Afghanistan and Iraq, it has more than once been specifically named as a target by terrorist organizations.

Since the attack on the World Trade Center, now known as 9/11, Australia has been building up its defenses against the possibility of an extremist strike. To strengthen its stance against terrorism, it has developed a strategy to deal with hostile forces unconstrained by national borders or traditional rules of engagement. Its plan to counter and respond to incidents designed to cause terror among the population is founded upon three principles:

- *Effective intelligence*, to enable concerned agencies to be adequately prepared for both the types of attack that may be actioned and forewarned of specific threats
- *Prevention and deterrence*, through allocation of sufficient and precise resources to enable counter-terrorism units to successfully prevent any chance of attack, and
- *Response*, by equipping first and second-tier responders to quickly recover from terrorist incidents to either critical infrastructure or the civilian population.

This report concerns itself first and foremost with response. Australia's intelligence agencies – a community of watchers, listeners and analysts - have received additional funds to boost intelligence-gathering capability in a number of ways, to which the potential contribution of the private sector is expected to be "modest", according to the Athol Yates, although there may be opportunities in the medium term to provide expertise and solutions.

Protection of Australian critical infrastructure and its civilian population is a responsibility shared by all levels of government from the Commonwealth to the local emergency service agencies.

At the federal level, the Protective Security Coordination Center (PSCC), in the Attorney General's Department, has primary responsibility for counter-terrorism response. At the local level, police, fire brigade and ambulance services will be the first to respond. Between these two are a number of committees and agencies contributing to the overall action plan. Australian state and territory governments, therefore, account for most of the spending in this area.

Market Overview

At the frontier of technology gained from knowledge of terrorist organizations and experience of terrorist incidents are the U.S., and the U.K. Australia's public and private sectors tend to look to these countries for solutions, technology and equipment. Also, experience gained by Israel is also passed on to Australia, both as technology and equipment. U.S. companies with state of the art anti- and counter- terrorist equipment are well placed for a hearing in the Australian market.

U.S. and Australian intelligence communities maintain a close working relationship, as do police services, fire departments, and branches of the military. On September 1, 2005, President Bush announced that Australia was being upgraded to the highest rank of any U.S. intelligence partner.

In fifty years of a close alliance, Australia has never before had such privileged access to American intelligence. This collaborative environment fosters a familiarity with U.S.-developed products and technologies, and provides U.S. companies with a definite competitive edge in the market place. However, U.S. companies hoping to sell to the Australians should remember that just as important as having the best products and equipment, is the time and trouble taken to establish and build up a basis for trust.

Since 9/11 the Australian government claims to have spent over \$3.75 billion* on "homeland security" through a range of agencies (to date, there is no Homeland Security Department, as in the U.S.)



"Be Alert but Not Alarmed" Campaign, 2004

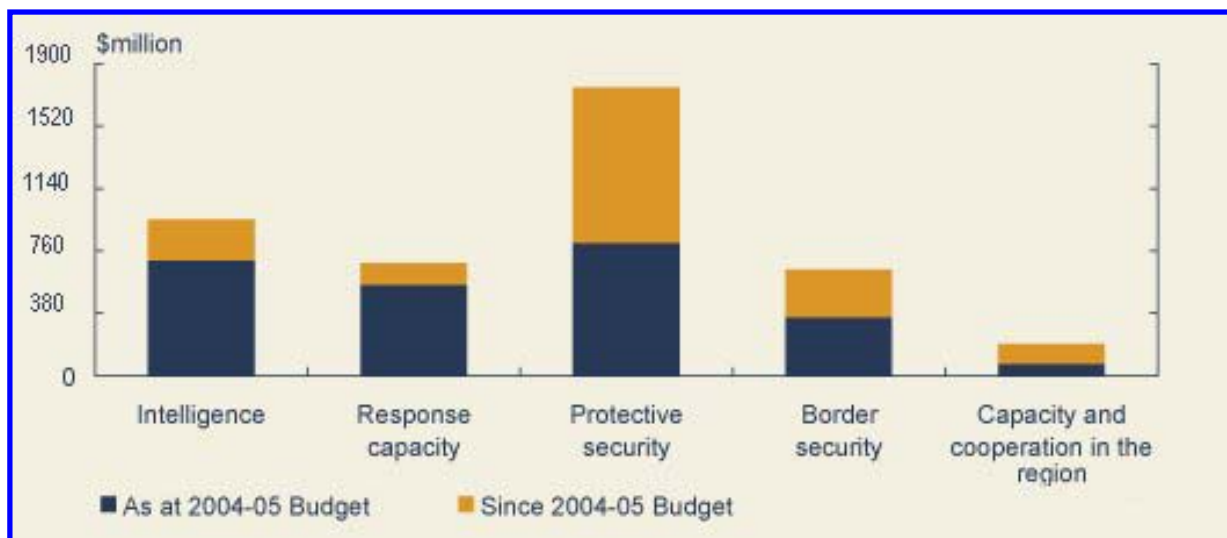
Market Trends

The most recent Australian Federal Budget (May 2005) allocated an additional \$840 million, over and above ongoing commitments, to a package of security measures, including a new biometric passport system, fortification of overseas missions and funding increases for intelligence agencies.

Intelligence agencies received \$182 million to improve investigation techniques and language skills, and a national security hotline was funded for another two years. Australia's overseas diplomatic posts were allocated \$395 million for new emergency communication systems, better security, and for new buildings in some countries.

** all figures in this report are converted at US\$1.00 = A\$1.31*

The Government also provided funds for the Defense Force to protect Australia's valuable offshore oil and gas facilities on the northwest shelf with two additional patrol boats for surveillance. Provision was also made for trials to be conducted on the use of unmanned aerial vehicles and unmanned underwater vehicles.



Spending on Security (Australian Budget Papers 2005)

Funding was also made available for continued surveillance of Australia's northern approaches, provided by a series of security layers, including the important vigilance of Australian Customs' *Coastwatch* project.

Additionally, the 2005 Budget provided for a \$145 million package to boost biometric technology, over a four-year period, for border security and passenger processing. The package will be shared between the Department of Foreign Affairs and Trade (DFAT), the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA), and Australian Customs. DFAT will use the money for electronic passport development to comply with the U.S. requirement for Visa Waiver countries (Australia is one) to issue machine-readable passports, Customs will expand its SmartGate identity verification system (facial recognition), and DIMIA for visa applicant processing. Over the next four years Customs will phase the introduction of 80 SmartGate kiosks at Australian airports. DIMIA is building a database of facial, fingerprint, and iris scans that will be linked to a global processing system and intelligence and security databases. The Australian Federal Police (AFP) was funded \$6 million in the Budget to trial biometric technology at key transit points to enhance border security with the neighboring Asia Pacific region.

Current areas of focus priorities include border protection, airport security, port security, critical infrastructure protection, security for the Commonwealth Games to be held in Melbourne in March 2006, and for the APEC Leaders' meeting and associated events, which will include protection for political and economic leaders from APEC's twenty-three member economies. Lead role for security has been assigned to the PSCC.

So far, the Australian Federal Government has been at the forefront of providing direction and funds for national security. In future, however, it is likely that some of the contingency planning and resource allocation will be the responsibility of individual State Governments. The State Governments are accountable for the administration of public transport, for example. Demand, therefore, may trend towards technologies and equipment designed for use in urban environments. Products that will be most sought are likely to include sensors capable of seeing through building, vehicles, etc., individual

and vehicle-tracking tags (RFID); intelligent target identification through background clutter, millimeter-wave radar, and intelligent surveillance systems.



At the State level, the new Australia-U.S. Free Trade Agreement (AUSFTA) will benefit U.S. suppliers of the required technology and equipment. Individual Australian States must eventually adopt the section ending procurement with local preferences. The period of grace allowed in AUSFTA for this is three years from the date of inception, i.e. January 2008.

Australia has a strong domestic economy, backed by stable political and financial infrastructure. Its growing trade with China has added impetus to an extended period of steady GDP growth. Employment is high, and interest rates have remained relatively stable for a number of years. The population is enjoying a period of relative affluence. However, as in the U.S., its telecommunications and transportation systems, utilities and its offshore resource development platforms are vulnerable to severe disruption. Security for its critical infrastructure, including its information technology systems, is constantly being reviewed and upgraded. Private enterprises for whom security is paramount - airports in particular - are keen to be made aware of the latest technology that may provide greater security at bearable cost. As with government-owned facilities, perimeter surveillance and protection, screening and identification of personnel with access to secure areas currently top the list of priorities.

Special forces and tactical law enforcement units are seeking the latest equipment in weaponry, nuclear, biological and chemical detection and decontamination, explosives detection and blast containment equipment. Agencies engaged in covert counter terrorism activities have a tendency to inhibit publication of their purchases. Therefore, appointing a local representative to seek out, and take advantage of opportunities is a vital element in any business strategy for this market (see market entry section).

The U.S. Commercial Service has expertise and experience in identifying local partners, and offers services to U.S. suppliers that can save time and money in the early stages of export market development.

Import Market

Australian Governments, Federal, State and Territory, comprise the largest purchasing source in the anti-terrorism market. Industry sources estimate (on a best-assessment basis) that during 2004/05, Australian governments spent around \$500 million on homeland security out of an estimated market somewhat under \$750 million. To put this in perspective, on a pro-rata basis, this figure is at one tenth of the spending compared to the U.S. Of the total market, it is also estimated that about 30% is spent on capital acquisition, the balance being spent on operating expenses.

State Governments have been purchasing or budgeting for equipment for protection and response use. Examples include an aircraft replacement with the capacity to move emergency response teams; a dedicated counter-terrorism helicopter; CBR equipment, including decontamination vehicles; emergency service radios; airport baggage screening equipment, and listening devices and cameras.

Most of this, as with the majority of homeland security equipment, is imported. Major suppliers originate in the U.S., the E.U. and Israel, all of whom have experience in combating terrorist attacks. The Israelis have a web page that lists Australian distributors of security and defense equipment (<http://www.israeltrade.org.au/ausrepssecurity.html>).

U.S. companies often offer expertise to Australian government agencies in advance of representative agreements, in biometric and border security technologies, for example.

Australia has accumulated stocks of critical medicines to have an emergency reserve of vaccines, antibiotics, antiviral drugs, chemical and radiological antidotes, and antiviral medications

http://www.health.gov.au/internet/wcms/publishing.nsf/Content/health-pubhlth-strateg-bio-factsht_stockpile.htm.

Competition

Competition is intensifying in Australia among multinational companies for large contracts, among which are names familiar to U.S. counter-terrorism agencies. Smaller companies are eager to form relationships with overseas suppliers on the edge of a whole new market. Some of the money allocated by state and federal governments has yet to filter down to the business level, and as it does so, competition will increase. Readers will recognize names such as G.E., L-3, Smiths, GHD, Honeywell, Garrett, Unisys, among many others.

End Users

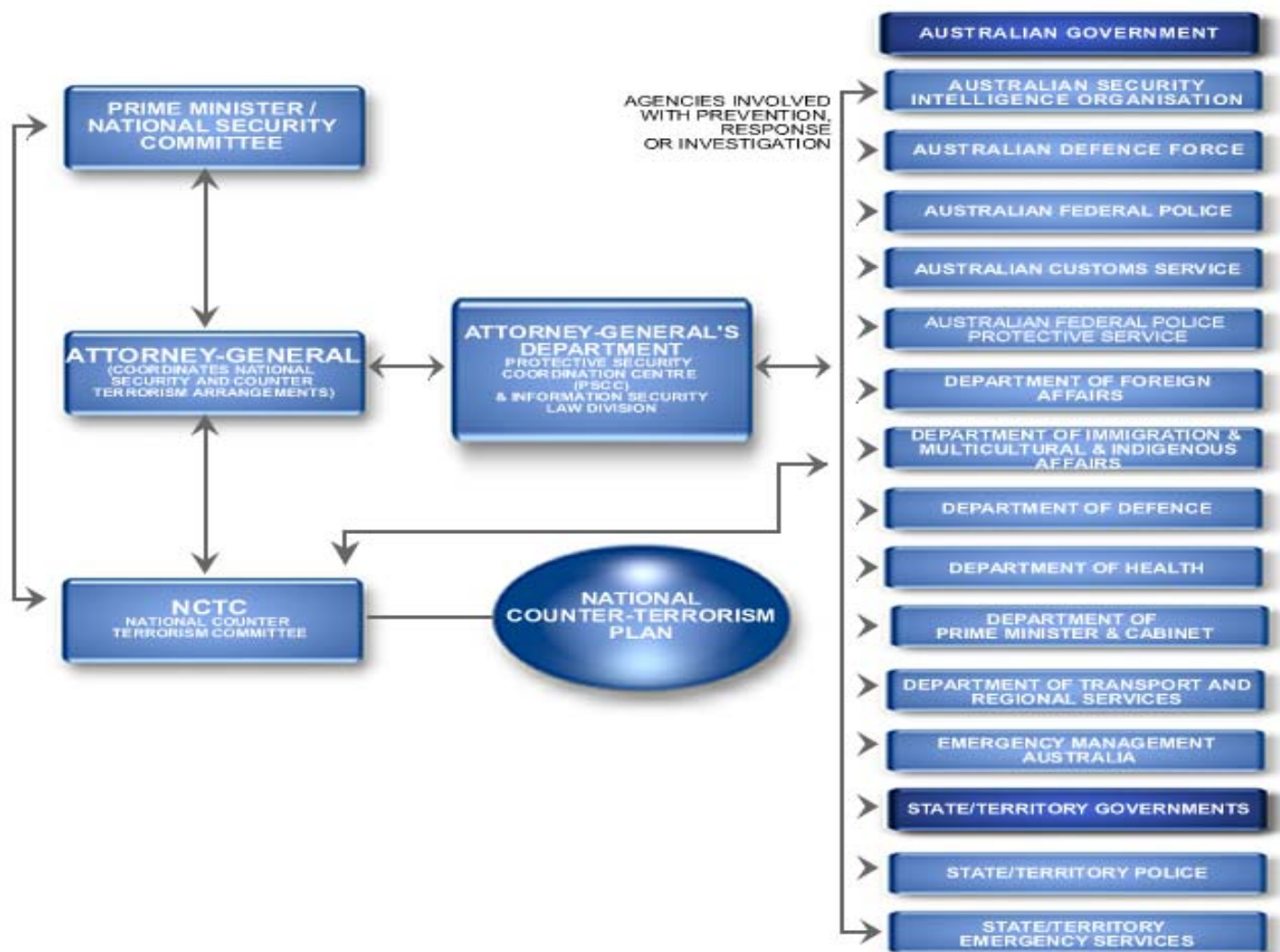
End users comprise the Australian Commonwealth (Federal) Government, State and Territory Governments, Airports, Ports, utility companies. At the policy level is the National Security Committee of Cabinet and the Department of the Prime Minister and Cabinet. The Attorney General's Department also plays a major role in the direction and structure of Australia's national security and therefore the necessary resources with which to equip it. Under this broad direction are a number of government agencies, which are represented on the National Counter Terrorism Committee (see diagram next page, from the National Security website).

Market Access

Australia poses few problems in the area of access to the market, especially since the advent of AUSFTA. Some standards do affect U.S. companies' efforts to enter the market, and issues related to them need to be addressed. *Standards Australia*, a non-profit organization, is Australia's leading standards development organization. Although not a government agency, it has a Memorandum of Understanding with the Commonwealth Government, and thereby is recognized as the leading non-government standards development body in Australia. Its members represent groups with an interest in the development and application of standards. It is Australia's representative on the International Organization for Standardization (ISO).

U.S. suppliers should be aware of Australia's rules and procedures regulating packaging, labeling, ingredients, marketing and sale of specific products, and of general weights and measures.

In general, goods imported in the packages in which they are customarily sold or offered for sale need to be marked with a true description of the goods and the country in which the goods were made. To qualify for duty exemption under AUSFTA, it is the responsibility of the *importer* to disclose the country of origin. The trade description needs to be applied to the packages in prominent and legible characters. Any additional information applied and/or labeled on the packages must be true and may not contradict or obscure the information required as part of the trade description.



Australia's Homeland Security Administrative Structure

Market Entry

Successful market entry strategies for Australia have three common elements: understanding the market, selecting the optimal partner, and providing ongoing support to that partner in the market. A common language and familiar business framework may lead Americans to overlook Australia's cultural and market differences. It is vital to first gain an understanding of the Australian context for a product, service, or technology, its competitors, standards, regulations, sales channels and applications.

Success in the Australian market requires establishing a local sales presence. For many American exporters this means appointing an agent or distributor. The terms of that arrangement are negotiated. Sales territory may include only certain states of Australia, the entire country, or New Zealand as well. An increasing number of businesses and investors see Australia as a secure platform from which to serve third markets in Asia.

The distance from many of their trading partners causes Australian firms to stress the importance of local support and service. American companies should visit Australia both to meet prospective partners and demonstrate ongoing support, as this is the common practice of their competitors.

Most of the criteria American firms use to select agents or distributors can be transferred to Australia, with expectations adjusted to the scale of the market. Performing due diligence is just as important as in the United States, and numerous resources are available to assist in that work, including the U.S. Commercial Service Australia's *International Company Profile*.

Before entering the market, prospective exporters to Australia should evaluate their proposed selling technique thoroughly to ensure that it is appropriate to the market, and that there is sufficient demand for the product/technology. An effective way to evaluate the situation is to do some basic market research and then follow through with a personal visit. There is no substitute for a first-hand look.

Distribution channels in Australia tend to be more generalized than those in the U.S. This is primarily due to Australia's relatively small population and industrial base. In most cases, Australia's distribution and sales channels are comparable to those in other industrialized countries. U.S. exporters commonly use importers, distributors, agents, wholesalers, and manufacturers' representatives. The use of agents and distributors is the most common way for U.S. companies to sell products in Australia, as discussed in more detail in above. Because of market size, it is common practice for Australian distributors to ask for exclusive geographic and/or product rights.

Joint ventures and licensing are both good alternative market entry techniques. These methods entail more investment and commitment than simply appointing an agent or distributor, but they may be more appropriate in the long run.

Opportunities for Networking

Conferences

Safeguarding Australia Summit - Homeland Security Conference, Canberra, September 2006

www.safeguardingaustraliasummit.org.au/

Security in Government Conference, Canberra, May 2006 -

<http://www.ag.gov.au/agd/WWW/protectivesecurityhome.nsf/>

Security 2006 Conference & Exhibition, Sydney, August 2006

www.asial.com.au

Newsletter

Australian Homeland Security Insight: Australian Homeland Security Research Center

www.homelandsecurity.org.au/

Key Contacts

National Security Website: www.nationalsecurity.gov.au

Protecting against terrorism: www.dpmc.gov.au/publications/protecting_australia/index.htm

Australian Security Industry Association: www.asial.com.au

Trade Events

See networking – the conferences listed all include an exhibition.

USCS Australia is planning active participate in Security 2006. U.S. companies wanting to expand into the Australian market can:

- ✚ make a booth reservation through us
- ✚ let us make appointments for you
- ✚ let us identify potential representatives.

If you are a U.S. manufacturer looking for business in Australia, and would like to know about participating with us in this program, please feel free to email phil.keeling@mail.doc.gov or send a fax by dialing + 61-2-9221-0573.

The U.S. Commercial Service in Sydney is located at:

Level 59 MLC Centre
19 Martin Place
Sydney NSW 2000 Australia

We can be contacted via e-mail at: sydney.office.box@mail.doc.gov, or previewed by visit our website: www.buyusa.gov/australia, and you can locate your nearest U.S. Export Assistance Center, as well as Commercial Service offices, by visiting www.export.gov.



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